

## **INFLUENCE OF FLAIR FACTORS ON COMPENSATION – BALANCING CONTRIBUTIONS AND PAY EQUITY**

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**Abstract:** The utmost priority of every organization in today's competitive environment is to attract and retain top talents. The aim of this paper is to emphasize the importance of "flair factors" those greatly valued personal qualities that enable an organization to accomplish its mission. The paper links insights about flair factors, as critical elements of organizational success, with the development of a compensation philosophy that can help organizations to recruit, attract, and retain top talented employees. Moreover, nine often-repeated errors made in developing and administering an effective compensation system are outlined. Finally, the paper benefits to both scholars and practitioners by suggesting how to solve the problem of identifying and hiring the right people for successful performance in organizations

**Key words:** flair factors, compensation philosophy, top talents.

### **1. Introduction**

A critical priority for every modern organization is the need to hire and retain employees who add value and distinguish an organization from its competitors (Porter, 1998). Jim Collins (2001), the author of many highly-regarded business books and an acknowledged expert about excellence in performance, explained that organizations must "get the right people on the bus." Lacking top quality talent, Collins emphasized that in today's competitive world a company is destined to fail in its efforts to compete. The ability of organizations to attract outstanding employees is limited when organizations develop a compensation philosophy that is inconsistent with the strategic goal of hiring "the best" people. In addition, many organizations fail to understand the qualities of those highly qualified individuals who add the greatest value to their companies nor do organizations successfully demonstrate the abilities required to distinguish those individuals who possess those unique abilities.

The purpose of this paper is to identify the importance of recognizing the "flair factors," or those capabilities that make the critical differences in contributing to an organization's success, and adopting a flexible but equitable compensation philosophy that fits with the needs of companies to attract the individuals that possess those rare abilities. The paper begins by defining "flair factors," briefly explaining how they are important in adding value, and describing four problems associated with identifying candidates that possess those factors. We then address the importance of developing an organization's compensation philosophy that allows it to attract and retain those highly talented individuals who possess flair factors – noting four important compensation philosophy elements necessary to hire people whose talents are critical to an organization's success. We then suggest five contributions of this paper for scholars and practitioners in solving the problem of identifying and hiring the right people for successful performance in organizations (Collins, 2001).

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## 2. Understanding Flair Factors

The keys to competitive advantage include the ability to possess resources that are valuable, rare, difficult to imitate, and organized to capture value (Rothaermel, 2020). According to the Resource-Based view of the firm, unless a firm possesses unique resources that fit these four criteria, that firm is subject to being overtaken and made irrelevant by its competitors who possess superior advantages (Barney, 2001). In identifying the factors that fit within those distinguishing criteria firms that lack the dynamic capacity to take advantage of their resource advantages are as limited in their ability to sustain an advantage as firms that lack those factors (Cardeal & Antonio, 2012).

The Harvard University expert on competitive advantage, Clayton M. Christensen (2011), emphasized the importance of identifying the critical skills necessary for sustaining an advantage, acquiring the human capital who possess those skills, and then empowering and supporting those individuals so that they can actually utilize their potential. Christensen (2016) explained that successful organizations must acquire a deep understanding of the key factors of competition and the underlying factors of each advantage. Lacking that ability to discern how and why unique skills can create new advantages, firms are destined to fail (Christensen & Raynor, 2013).

Identifying individuals with the unique skills, or flair factors, that others do not possess – whether those are single skills or a combination of capabilities – is often at the heart of a sustainable advantage. Unfortunately, many firms lack the ability to identify the candidates who possess the skills necessary for their strategic success (Highhouse, Doverspike & Guion, 2015) – and it is the rare organization that understands the qualities that actually distinguish outstanding performers who possess those unique factors (Gomez-Mejia, Balkin & Cardy, 2015). Flair factors are those greatly valued personal qualities that enable an organization to accomplish its mission in an unusually effective way by adding value in ways that others are unable to achieve. Caldwell, Beverage & Converse (2018) explained that flair factors consist of five qualities that contribute to an outstanding organizational result.

1. ***The ability to focus on correct purpose.*** Recognizing what needs to be done and distinguishing tasks from outcomes to achieve are critical to this focus.
2. ***A clear understanding of unique competencies.*** Knowing one's talents and their application to achieving a desired result enables a person to take proper action.
3. ***The capacity to apply abilities to a situational context.*** Recognizing how to execute and to adapt to circumstances makes success possible.
4. ***An unflagging personal commitment to results.*** Determination to give one's total effort drives action to achieve a desired outcome.
5. ***Personal integrity that generates trust.*** The ability to earn the respect and trust of others empowers combined effort.

Figure 1, provided below, clarifies the contribution of the qualities that make up flair factors (Caldwell, Beverage & Converse, 2018).

**Figure 1: Essential Qualities of Flair Factors**



The unfortunate reality in many organizations is that the means used to assess candidates' qualifications for vitally important positions are neither valid predictors of applicants' ability to succeed and are often unfair to candidates who possessed these unique capacities (Sackett, Borneman & Connelly, 2008).

## 2.1. A Classic Example of Flair

Robert Irish provided a marvelous example of the failure to understand true flair in American history (Caldwell, Beverage & Converse, 2018). The failure to recognize the critical qualities for success involved two individuals, George B. McClellan and Ulysses S. Grant – two important generals in the American Civil War, or the US War Between the States. Table 1, provided below, summarizes the differences in the traditional qualities used to assess these two individuals and provides rich evidence about the limitations resulting from failing to recognize critical flair characteristics.

**Table 1:** Comparing McClellan and Grant

Criteria for Measurement	McClellan's Qualifications	Grant's Qualifications	Comment
<b>Education</b>	Graduated second in his class at the US Military Academy, despite entering at age 16. Considered to be brilliant and was one of the most popular individuals in his class.	Accepted reluctantly by the US Military Academy but distinguished himself as an outstanding horseman. Finished in the middle of the class at the academy after a slow start.	McClellan distinguished himself as a scholar and a leader. Grant distinguished himself for his riding abilities.
<b>Business Success</b>	Served in a major executive role for the Illinois Central Railroad.	Failed miserably in business and lived in poverty for seven years. Worked as a clerk and wagon driver.	McClellan was a business success. Grant was a failure.
<b>Family Background</b>	Son of a prominent surgeon and founder of Jefferson Medical College.	Father owned a tannery and family was considered "middle class."	McClellan was from the elite class. Grant was middle class.
<b>Mexican War Experience</b>	Played a major role in the war under General Winfield Scott and performed effectively – receiving two commendations.	Forced to resign after an undistinguished tour of duty because of a drinking problem to avoid public embarrassment.	McClellan was a great success. Grant was an embarrassment to himself.
<b>Personal Reputation</b>	McClellan was well-liked, immensely popular with his peers, revered by his men, and considered a great leader and organizer.	Grant was considered to be an excellent horseman and a hard worker, although frequently troubled by an alcohol problem.	McClellan was universally respected as a great leader. Grant was held in suspicion.
<b>Public Perception</b>	Nominated for the US Presidency by the Democratic Party, considered by many to be a great success and was expected to beat Lincoln in 1864.	Grant was considered a butcher as a military leader who sacrificed his troops for an advantage and was rumored to be a heavy drinker.	McClellan was considered a person of the highest regard. Grant was frequently criticized until he finally beat Robert E. Lee.

Clearly, by the standards that many so-called "experts" would suggest, McClellan was far and away the superior candidate than Grant. However, history reveals a far different story.

McClellan was properly credited for building a strong and well regimented army - drilling his soldiers and establishing discipline. He has been excused by some scholars for his reluctance to engage the Southern Army because of legitimate evidence that he had an inconsistent supply line sufficient to sustain battle (Bonekemper, 2007). Abraham Lincoln appointed McClellan twice to be the head of the Northern forces – but complained that McClellan suffered from "the slows." McClellan repeatedly chose a conservative approach to the war – despite overwhelming resources

compared with the Southern army (Burlingame, 2011). Meanwhile, McClellan had little regard for Lincoln and his leadership – calling him at one point “nothing more than a well-meaning baboon” (Waugh, 2007). In November of 1862, Lincoln gave up on McClellan as the Northern commander – actually running the war directly from Washington.

During the time that McClellan was ineffective, Grant was making a name for himself in the western battlefield. Unlike McClellan, Grant was aggressive and iron-willed in his commitment to defeating the Southern armies. Appointed Major General in 1862 after significant military victories, Grant’s fighting style earned him Lincoln’s respect (Bonekemper, 2015). When critics in Washington complained of Grant’s fondness for alcohol, Lincoln is said to have replied, “Well, I wish some of you would tell me the brand of whiskey that Grant drinks. I would like to send a barrel of it to my other generals (Johnson, 2012). Grant forged a strong partnership with William Tecumseh Sherman – with both men having shared personal experiences in their past that had discredited them and their personal and military reputations.

The partnership between Grant and Sherman allowed the Northern armies to ultimately overwhelm the Southern troops who struggled for the bare necessities of food, clothing, and ammunition -- and saw their supply lines riddled by Union troops. The relationship between Grant and Sherman proved to be the most important partnership of the Northern Army and eventually enabled the Union forces to slowly but steadily wear down their Southern opposition (Flood, 2006). Although Grant’s willingness to confront the Southern army at every opportunity sometimes resulted in great Union losses, his relentless attack and the superior number of personnel in the Northern army enabled him to torment the Southern troops and diminish their numbers.

### **1.2. Grant’s Flair Factors**

Although Ulysses S. Grant was at no time an equal of George McClellan in terms of his “on paper” traditional qualifications, he possessed five important flair factors. Each of these flair factors possessed by Grant distinguished him from McClellan and were fundamental to Grant’s successful achievements as head of the Northern military forces.

**1. A clear sense of his own strengths and capabilities that aligned with the Northern army’s needs.** Grant was in every way doggedly determined to overwhelm the Southern army and recognized that his persistence, perseverance, and dedication – or pure grit – was a necessary personal trait that would enable him to eventually wear down the Southern army. This persistent commitment was Grant’s most important characteristic and often enables a less talented individual to outperform a person with more natural abilities but less dedication (Duckworth, 2018). This dynamism, or the capacity to successfully translate a plan into action (Kouzes & Posner, 2011), is recognized as a quality of great leadership that McClellan did not demonstrate.

2. **Willingness to take well-calculated risks.** Grant, while aware that his plan of action required him to place his men in sometimes strategically inferior positions, was willing to engage the Southern forces time after time in order to ultimately bring an end to the brutal war in which he was engaged. Although this willingness to fight earned him the criticism of many Northerners, Grant realized that his commitment to action was a heavy but necessary price to pay to eventually overcome General Robert E. Lee and the Southern army (Bonekemper, 2015).
3. **Awareness of the ultimate superiority of the Northern army in resources.** Grant understood that his overwhelming superiority in men and supplies was a key factor to achieving success against the Southern army (Burlingame, 2011). Constantly pressing the Southern forces, Grant kept them on the move and unable to obtain the food and reinforcements required to battle the Northern army. Together with the destructive power of William Tecumseh Sherman's burning of Southern farms and properties, Grant's constant pressure kept the Southern army moving and unable to acquire the resources required to sustain a defense against a relentless attack (Flood, 2006).
4. **Ability to earn and retain Lincoln's confidence and support.** President Abraham Lincoln saw through Grant's limitations and personal shortcomings. Lincoln recognized that Grant possessed the force of personal will and a realization of the eventual superiority of the Union forces. Despite the polish and grace that Grant may have lacked when compared to George McClellan (Burlingame, 2011), Lincoln came to understand Grant's positive capacities and supported Grant's efforts to harass and beat down the South, despite the bloody battles and loss of men that resulted from the Northern strategy (Bonekemper, 2015).
5. **Appreciation of William Tecumseh Sherman's talents.** Grant perceived in Sherman a man who he could trust. Though Sherman had gone through a nervous breakdown, Grant realized Sherman's fierce commitment and dedication as a commander of Northern forces. Grant and Sherman became close friends, as well as military allies, and that confidence that Grant showed in Sherman paid off handsomely (Flood, 2006). Sherman's devastation of the Southern landscape not only demoralized the populous but severely limited the food and supplies necessary for Robert E. Lee's Southern army to sustain itself.

Each of these factors were qualities that McClellan never possessed. McClellan, while superior to Grant in his past achievements and personal background, lacked the willingness to take action. McClellan, although gifted in many ways that clearly exceeded Grant's qualifications, never succeeded in sustaining an attack against the forces led by Robert E. Lee. Though McClellan possessed many admirable talents, he was ultimately lacking in the ability to win Lincoln's trust or guide the Northern forces to victory.

Comparing Grant and McClellan with the five essential flair elements clarifies the

differences between these two Northern generals and provides insights about Grant's strengths and McClellan's limitations.

**Table 2:** Comparing Grant and McClellan with the five flair factors

Flair Factors	Grant's Qualities	McClellan's Qualities	Comment
<b>Focus on Purpose</b>	Grant recognized the priority to win the war as the fundamental objective.	McClellan was reluctant to engage the Southern army and later was opposed to winning the war.	Grant had a clear purpose. McClellan's purposes were uncertain.
<b>Unflagging Commitment</b>	Grant's perseverance, commitment, and dedication were unchallengeable.	McClellan's case of "the slows" evidence his lack of commitment and uncertainty.	Grant was a man of action had consistency. McClellan waivered.
<b>Personal Integrity</b>	Grant demonstrated his integrity in earning the trust of Lincoln.	McClellan neither respected Lincoln nor earned his trust – and privately treated him with contempt.	Lincoln trusted Grant's integrity and struggled with McClellan's failures.
<b>Contextual Adaptation</b>	Grant saw what needed to be done and was relentless in pursuing his plan.	McClellan's actions were inconsistent with the Northern army's ultimate objectives.	Grant understood what was needed to succeed and did it. McClellan failed.
<b>Knowing One's Competencies</b>	Grant knew he had the dogged focus to ultimately win with the North's superior resources and demonstrated his competencies.	McClellan viewed himself as a "Napoleonic leader" and had an inflated opinion of his competencies – failing twice as head of the Northern army.	Grant possessed the ability to apply his strengths to the task at hand. McClellan overestimated his abilities and accomplished little.

Grant clearly demonstrated five key flair-related qualities and succeeded as a result. McClellan was largely ineffective in achieving the North's objective of winning the war.

The inability of the overwhelming majority of Human Resource Management departments to understand the importance of flair factors is, unfortunately, a root cause of the failure of many organizations to identify the skills of uniquely qualified candidates (Caldwell, Beverage & Converse, 2018). For companies that recognize these flair factors, however, there are also frequently failures in their compensation philosophies that inhibit their ability to attract and retain top talent. The linkage between identifying and ultimately hiring great employees is a sophisticated skill that is sometimes difficult to accomplish. The next section of this paper identifies some of the problems associated with establishing and implementing a compensation philosophy that enables an organization to hire and retain employees who possess the requisite flair factor skills to add unique value to an organization.

### 3. Compensation Philosophy and Its Critical Importance

A compensation philosophy is a formal statement adopted by an organization's Top Management Team and Board of Directors that reflect the integration of the strategic goals of a company and its philosophy of total compensation required to accomplish its strategic objectives (Berger & Berger, 2015). That philosophy explains the rationale behind employee salary and benefits and creates a framework for balancing internal equity, external equity within the market, and the unique value-added contributions that employees contribute to strategic success (Milkovich, Newman & Gerhart, 2020).

The compensation philosophy that is most successful for companies typically identifies a specific company's total reward assumptions, establishes parameters about consistency and flexibility, and affirms the company's commitment to sharing success with its employees (Beer, 2009). In a world where change is constant, an organization should periodically review the impacts of its compensation philosophy to reflect economic conditions, as well as its ability to retain outstanding employees (Martocchio, 2016).

Unfortunately, there are difficulties that Top Management Teams and Human Resource Professionals struggle to overcome as they develop and administer compensation programs in organizations of various types. The root cause of these problems is often the failure of managers and leaders to fully recognize the implications of the compensation system and the strategic goals of a firm (Mikovich, Newman & Gerhart, 2020). This lack of alignment between strategy and organizational problems has long been identified as a major dysfunction of organizations (Pfeffer, 1998). Despite the fact that this failure to align strategies with policies, programs, procedures, and systems is a well-known problem facing so many of today's modern organizations, the problems persist (Caldwell & Anderson, 2018). The following are nine often-repeated errors made in developing and administering an effective compensation system.

1. **Scarcity mentality about availability of resources.** It is ironic that intelligent individuals repeatedly overlook the reality that paying employees fairly creates increased employee commitment. The root cause of such fuzzy-headed thinking has been labeled "the scarcity mentality" and refers to the failure to recognize that resources that generate a positive return on investment create profit for organizations (Covey, 2004).
2. **Limited ability to understand what to measure.** Unfortunately, the difficulty in understanding the factors that lead to high performance is often misunderstood. W. Edwards Deming (2000) cited this failure to fully understand the implications of measuring meaningful outcomes – rather than seeking instead to count outcomes of activities that are more easily measured. Steven Kerr's (1975) famous article about why organizations "reward A while hoping for B" is a great example of the common tendency to fail to understand what produces results.
3. **Bureaucratic reliance upon past experiences.** Bureaucratic rules based

upon past contexts that no longer apply are a common dysfunction in organizations (de Jong, 2016) and the formalization of such rules can be in conflict with creating a compensation system that meets modern needs (Martocchio, 2016). “Because we have always done it that way” can be a source of frustration for employees looking for a better way of performing their work and can also be a detriment to policy makers who are responsible for compensation decisions (Caldwell & Anderson, 2019).

4. **Inability to recognize the concept of “value added.”** Recognizing what adds value to both external and internal customers of an organization is a skill that demonstrates a clear understanding of an organization’s mission and purpose – and the correlations between tasks and activities and those defining parameters. Equating compensation with the value of work performed and the tasks to be accomplished is at the heart of understanding flair factors (Caldwell, Beverage & Convers, 2018).
5. **Failure to understand the contribution of flair factors.** Just as McClellan’s qualities were greatly overrated and Grant’s abilities were underappreciated, it is easy for leaders, managers, and supervisors to overlook the important flair factors that are critical to the competitive success or failure of organizations (Barney, 2001). For example, in World War I the Office of Strategic Services recognized that their selection process for identifying successful spies was focused on the wrong set of criteria – resulting in the individuals who were chosen frequently being killed (Thornton, 2014).
6. **Ineffective job analysis process in defining key qualifications.** The job analysis is often done imprecisely. It is relatively easy to identify tasks to perform as part of a job responsibility but much more difficult to identify the key factors that determine what it takes to offer unique value to a position (Caldwell, Beverage & Converse, 2018). Subject Matter Experts about job performance even disagree about key qualities that are critical in adding that value (Kahneman, 2013).
7. **Reluctance to reward performance outcomes.** Many organizational leaders adopt a “rank in position” approach to job classification and fail to recognize or reward “rank in person” which is often the defining factor for an outstanding value-added contribution to an organization’s success. Furthermore, Top Management Teams are reluctant to upset an organization’s compensation system – even when they cognitively recognize that key positions can add far more value than the “rank in position” job classification may reflect (Mikovich, Newman & Gerhart, 2020).
8. **Overreliance on internal pay equity in current pay system.** Internal pay equity is limited in its accuracy, based upon the competence of the analysts evaluating jobs. The trend to broad range, rather than narrow range, compensation systems has made it possible to overcome some of the weaknesses of traditional internal pay equity programs (Berger & Berger, 2015). For many organizations, pay continues to be capped and is

dependent upon longevity or the formal process of the Top Management Team in authorizing the creation of job descriptions that reflect the unique contributions of outstanding performers (Singh, 2017).

9. **Misguided belief that existing assumptions will attract outstanding candidates.** Candidates that possess flair can often be unique in the way that they think. Today's compensation systems often lean toward bonus systems, financial rewards, and salary remuneration as the motivating factors that attract highly skilled and uniquely qualified job candidates (Berger & Berger, 2015). However, non-financial factors that reflect the intrinsic priorities that motivate are often the primary concerns of many individuals, once a threshold of compensation is reached (Mikovich, Newman & Gerhart, 2020). Understanding the internal motivation of others is often overlooked in recognizing how to attract and retain candidates with unique skills (Nestor & Schutt, 2018).

These nine common errors in developing a compensation system reflect traditional thinking about compensation management that fails to recognize the importance of individuals with the capacity to make a profound difference in the competitive success of an organization. Nevertheless, that failure to fully understand the value of outstanding employees and the flair factors that they possess can lead to an organization's creep into mediocrity, decline, stagnation, and eventual demise.

To successfully counter the difficulties that organizations face in attracting and retaining employees whose unique skills can influence a company's success or failure, we identify four important points to consider in developing a compensation philosophy that acknowledges the value of employees who possess critical flair factors.

1. **Reexamine what customers value and how that value is created.** Value and quality are subjective measures that are ultimately defined by customers (Deming, 2000). Focusing on processes and tasks to achieve efficiency can improve organizations, but determining what it takes to meet present and future customer needs is essential to survival (Christensen, 2016; Christensen & Raynor, 2013). Ultimately, value is about effectiveness in meeting customer needs. Compensation plans must focus on those activities that ensure customer satisfaction at a world class level (Collins, 2001).
2. **Identify the critical factors that determine competitive advantage.** Being "as good as" the competition affords a company no advantage. Constantly improving and going beyond what competitors can provide is the *sine qua non* of sustainable advantage (Caldwell & Anderson, 2019; Caldwell & Anderson, 2017). Developing the metrics to measure what, who, and why advantages are created enables a firm to focus on acquiring those skills and the people who possess them.
3. **Confirm the key qualities required to sustain advantage.** Constantly assessing the factors that are essential for success demands concentration, focus, and analytical sophistication on the part of organization leaders.

The unfortunate reality is that even alleged experts struggle to confirm or disconfirm the factors that are key to success (Kahneman, 2013). Experimenting and monitoring the key elements of success that delight and surprise customers is an ongoing quest. Identifying, attracting, and retaining individuals who can deliver what customers need is absolutely required (Collins, 2001; Collins & Hansen, 2011).

4. **Target individuals who possess flair qualities.** Recognizing the unusually gifted, the passionately dedicated, and the focused visionaries who both understand an organization's mission and who are willing to sign on as owners and partners is a rare Human Resource Management skill (Caldwell & Anderson, 2018). Individuals who possess qualities of flair need to be understood, effectively courted, and compensated in a manner that matches their priorities. The compensation package offered to such individuals must be aligned with their individual needs – as well as their contribution to organization success (Mikovich, Newman & Gerhart, 2020; Singh, 2017; Berger & Berger, 2015).

These four elements are only a part of the considerations required to adopt a compensation philosophy that facilitates an organization's ability to hire those uniquely skilled individuals who possess job-related flair factors. Although a compensation philosophy must meet many criteria to achieve an organization's purposes, failing to recognize the importance of hiring and retaining talent that possesses rare and difficult-to-imitate skills is a self-destructive choice that can ultimately destroy an organization long-term.

#### 4. Contributions of the Paper

This paper links insights about flair factors as critical elements of organization success with the development of a compensation philosophy that can help organizations to recruit, attract, and retain employees who possess the unique value-added flair factor qualities. The following are the five contributions of this paper for practitioners and academic scholars to consider.

1. Affirms the importance of flair factors as critical skills for maintaining an organization's competitive advantage.
2. Identifies five essential qualities associated with flair factors and uses Grant's successes as examples of flair.
3. Links an organization's compensation philosophy with attracting and retaining employees with flair.
4. Describes nine common errors in failing to implement a compensation philosophy that recognizes the value of flair.
5. Offers four strategic points to consider in adopting a compensation philosophy aligned with compensating flair.

As Top Management Teams, Human Resource Professionals, and Boards of Directors reflect on their abilities to accomplish great things in organizations, the importance of flair factors – and creating compensation systems that attract

employees with flair – are important considerations for successful organizations.

## 5. Conclusion

Sustainable advantage is increasingly difficult to sustain in a global economy where competition is keen. While technological resources are obviously important in the quest to compete, the value of highly talented employees – especially employees with the rare flair factors that are critical to success – continue to be a vital condition precedent for surviving and thriving (Collins, 2001). Although great employees with unusual skills are not a guarantee for organizational success, they can nonetheless be a powerful contributing factor to improving services, enhancing quality, and increasing profits.

Understanding the importance of hiring and retaining employees with flair is an important skill set that Human Professionals can add to their organizations. However, unless organizations address the need to also incorporate a compensation philosophy that meshes with their ability to identify great talent, it is insufficient for those organizations to simply recognize what flair factors mean to their success. Compensation philosophy must be aligned with competence in recognizing talent for organizations to compete in getting “the right people on the bus” (Collins, 2001).

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